BRAND MIXING through CAN MIXING

An inseparable aspect of water industry*
- A case study

By

INTERNATIONAL HERBAL WATER FOUNDATION

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* Refers to companies, dealers, traders in water industry operating in parts of chennai and outskirts only.

Definition: CAN

In Bottled water industry, CAN means the narrow mouthed clean, colourless, transparent, push up closure, containers made of PE, PVC, PET or Polycoarbonate suitable for packaging any consumable liquid and capable of preventing pesticide adulteration or contamination.

Purpose:

IHWF officials conducted a field study to understand the BRAND MIXING through CAN MIXING issue at the core level and suggest ways and means to prevent it, thus helping water & beverage industry operate in a way that minimizes BRAND MIXING and save themselves from getting into legal tangles.

Scope:

Study is done in parts of Chennai and outskirts of Chennai. All the information that is presented in this document refers only to the bottled drinking water industry scenario in Chennai and outskirts of Chennai.

Background:

Water industry in Chennai is highly competitive, which new comers are not aware of. In this industry, dealers, shopkeepers and other middle men make more money than manufacturers (those who process ground water into bottled water using RO filters, ozonators and other sophisticated machinery). Brand awareness and brand loyalty is negligible among majority of the consumers. All consumers want at the end of the day is a purified drinking water delivered at their doorstep. The scenario is such; a marketing company can sell water & survive without having their own processing unit. They can make use of a water processing unit nearest to their location and get water refilled and sell CANs carrying their marketing company brand name.

Practically most of the consumers are unmindful of brands. This consumer tendency makes shop keepers, dealers and other middle men to deal with brands that offer them more margins. A dealer dealing with Brand A will switch to Brand B next month, if he gets more margins. He will deliver Brand B to the consumer next month and consumer will accept it without hesitation. Cut throat competition, survival instincts, unhealthy trade practices, shrinking margins for manufacturers contribute to BRAND MIXING problem.

Can Circulation:

Since the can is used for refilling bottled drinking water and handled by various stake holders it is always in circulation and becomes the property of the person who holds it.

30, 1st Cross St, Kasturibai Nagar, Adyar,
Chennai-600020.TN India,044-24404806
Email info@ihwf.org.in, herbalwater@yahoo.com

What is BRAND MIXING?

BRAND MIXING is a case where other branded CAN(s) enter into one's own processing unit.

What are the legal implications of BRAND MIXING?

As per BIS, filling other brands in one's BIS certified plant is an offense. BIS doesn't allow a processing unit to refill water for another brand without getting proper approval from them. BIS will assume that a processing unit without getting BIS permission involves in refilling water for other branded CAN(s) that bear ISI mark and sell. In such case, BIS can give STOPMARK and can file a case against a processing unit for misuse of BIS certification and cheating consumers as per BIS Act

How other brand Bubble top CANs enter into one's own processing unit?

In the Bottled drinking water industry bubble top CANS are exchanged by consumers, shopkeepers, sub dealers, dealers and new entrants. Most of the brands marketed don't have their own manufacturing facility.

Read on to understand how CAN mixing happens at various levels of storage, distribution and consumption.

How BRAND MIXING happens at consumer level:

1. As every consumer is using more than one brand, they tend to exchange their CANs with other brand supplier. They do this either voluntarily or out of compulsion to get water as the original supplier might not turn up to deliver water when they need.

2. If consumers don't get water delivered in a span of two three hours when they need, they switch to other brand immediately without hesitation. As more number of suppliers are available at vicinity switching brands becomes very easy for consumers.

3. CAN deposit issue is a key factor that leads to CAN exchange and thus BRAND MIXING among consumers. Consumers pay deposit for branded companies. When the service or supply is inadequate they avoid paying deposit amount to the new supplier instead they will exchange the CANs they took from the branded company. The new brand, out of compulsion to retain a customer accepts other branded CANs.

4. There are also instances, when consumers don't get regular supply from the brand for which they must have paid deposit. The company concerned might have got STOP MARKING from authorities or may not supply water regularly due to other constraints, in which case, the dealer will supply other

brand. Out of dissatisfaction and anger, consumers will refuse to pay can deposit and will exchange their old cans with the new one leading to BRAND MIXING.

We have seen instances where one brand being embossed in the CAN; at the same time other brand sticker being pasted in the CANs. Ex. "Blue Aqua" embossed CAN had "Cool Mountain" Label. (Names are changed intentionally)

How BRAND MIXING happens at shopkeeper level:

1. Shopkeeper is one of the major contributors to CAN MIXING problem. On an average he buys & sells three or more brands. He takes CANs from the companies on credit and sells it to consumers. When the company approaches the shopkeeper for money and empty CANs, he without hesitation exchanges other branded CANs or delays the payment of one brand. When a particular brand company stops supplying to the shopkeeper, he uses those empty CANs to exchange with other brands to get water. All he needs at the end of the day is CAN FILLED WITH WATER FOR SALE. To float in the business, companies had to accept other brand CANs from the shopkeeper, otherwise shopkeeper may stop buying CANs from them. Largely, consumer's acceptance makes shopkeeper sell any brand unmindful of the CANs & labels.

How BRAND MIXING happens at dealer level:

1. When a registered dealer is not getting sufficient supply from the contract manufacturer due to STOP MARKING from authorities or due to any other reason (village problems, partnership, power failure, bankers, employee strike etc.,) the dealer may tend to barter his CANs with other branded CANs to cater to the consumer demand for water. Dealer consciously or out of compulsion, exchanges CANs with the other branded CANs without peeling his own branded label to satisfy consumer needs which ultimately results in BRAND MIXING.

2. Dealers also get into problem with the company because of non-payment. In that case, he will go to the other company for refilling, where he exchanges his existing branded CANs for the new one, thus BRAND MIXING happens at the refilling plant. Dealer does this to avoid paying his due to the company, because of his financial inability or otherwise. But his refilled CANS stay float and serve the consumers.

3. Switching companies / brands happens very fast at the dealer level. When he finds a new brand coming with an attractive terms, he switches over to other brands immediately. He becomes dealer

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for the new brand, completely ignoring the existing brand which he was dealing till such time. For him, his customers are intact and they will buy from him even if he gives them new brand. He exchanges his existing brand CANs with the new one without notice, which leads to BRAND MIXING.

4. Sometimes even a genuine dealer takes the help of other manufacturers to cater to the demand during the season of peak season like summer. Water consumption level generally doubles or triples during summer, where the dealer needs to handle more demand. When he feels that refilling takes time with his manufacturer (every plant has limited production capacity and refilling schedule), he goes to the nearest manufacturer and fills his CAN to cater to the customer demand. He does this out of time constraint and emergency situations. This way one can find large number of same labeled CANs getting filled in another branded plant for a short period of time. A classical case of BRAND MIXING.

5. Sometimes dealers buy second hand CANs from the market and use it to the nearest re-filler point to fill water. While a new CAN costs him Rs. 100/- he gets second hand CANs for Rs. 30/- only which come with a label (XYZ brand). He circulates the CAN among consumers and does his part in BRAND MIXING.

6. Mostly CANs of the companies that are closed down are sold as second hand CANs. Those CANs come with a label or logo embossed on the CAN. However the same CANs will be used by dealers to fill water and circulate, which contributes to BRAND MIXING.

7. A new CAN normally costs Rs. 100 and manufacturers don't buy new CANs. They prefer to settle with second hand CANs or used CANs because the manufacturer very rarely will get back the same CAN at the end of the day. Because it is being exchanged at dealer, shopkeeper and at customer points, only old CANs with other label enter his plant.

8. Due to cut-throat competition and unhealthy trade practices, some of the dealers and shopkeepers will go voluntarily to other dealer/shop on seeing new CANs that is being sold for Rs. 25/- with water. In turn they exchange their old CANs with the new brand company and they save on the cost of the CAN.

How BRAND MIXING happens at delivery boy level:

1. In some cases, tri-cycle boys are lured by some dealers for new CANs. When a tricycle boy exchanges new CANS they will be paid Rs. 5/- to 10/- per CAN. To get some extra money, tri-cycle boys, when they find new CANs, exchanges it to the dealer / shop keepers / individual who pay for it.

What are the causes that contribute to BRAND MIXING problem?

1. CANs are mixed everywhere. CANs are the primary cause for BRAND MIXING

2. CAN durability is the central issue that makes BRAND MIXING a perennial problem. On an average a bubble top CAN stands good only for 25 to 30 refills. Life span of a bubble top can is approximately 4 months. As the durability of each CAN is very short, all efforts are being taken by people involved to make the best use of the CANs. This leads to CAN exchange and thus BRAND MIXING an unavoidable issue in the bottled drinking water industry in Chennai today.

3. Because of the shorter CAN life-cycle (PET CANS) and CAN MIXING problems, cut-throat competition, manufacturers are restricting themselves only with refill jobs. They do refilling unmindful of the brand(s) and BRAND MIXING issues. They refill CANs at price as low as Rs. 5/- per CAN and even lesser.

4. Chennai bottled drinking water industry has approximately 220 to 250 manufacturers and around 4000 dealers. But has only 3-4 shapes of CANs available. Due to this, identification and segregation of CANs are becoming a cumbersome issue. This is a major problem for people in the lower levels of marketing, distribution, supply & operations as they are not able to differentiate their brand CANs with other brand CANs. Hence BRAND MIXING is becoming an unavoidable problem considering the scale of consumption and distribution of water every day.

5. For all practical reasons all companies had to accept CANs with other brand labels. As these things happen in a short span of time and out of emergency situations.

Who can be booked under misuse and duplication of BIS license?

For all practical reasons, we can conclude* that if 3 or 4 brands of bottles, each 1 or 2 CANs per brand is found in a plant, it could be due to the CAN MIXING problem as specified above. The manufacturer need not be blamed as he is part of the bigger problem (BRAND MIXING) which is beyond his control. However, If a plant has 1000s of labels, 100s of CANs of other brands in a plant, then the plant CAN be prosecuted as involved in duplication. He may be deliberately involving in duplication.

**** It is only a suggestion to bring the reality of the situation to the kind notice of BIs. It is our conclusion, which is based on looking at things from the practical perspective. We don't intend to instruct authorities in this regard or propagating a message to operators to continue to indulge in can mixing. However, inspite of CAN/BRAND MIXING, our members deliver good quality water as per BIS specifications until the quality is disproved by BIS.***

What should be done to prevent CAN MIXING and thus BRAND MIXING?

Though it is a common and practical problem, manufacturers can't be ignorant of the legal problems associated with it.

To safeguard from getting into legal problems, manufacturers should

1. Never use other branded CANs. They should make sure it is separated before it goes to their filling area. It is better to have a person to check label on each CAN before sending it to their filling area

2. Even if it so happens to use other branded CANs, care should be taken to ensure complete removal of other brand label. It should be removed 100%.

3. Never stick their label above some other brand label. If there is some other brand label below their label, it is easy to identify and authorities will assume that it is a case of misuse of some other brand for your own benefit.

4. Stick their label after completely removing the old label. The CAN should have only one label when it goes out of plant. Otherwise you will have legal problem with BIS.

5. For all those selling **"FLAVORED WATER DRINK "** the label should have only Flavored water label on it. You should never use the word **Package Drinking Water** anywhere. It should not be there in your label, visiting card, name board, neon sign, banner, letter head, product sticker, promotional material like brochure, leaflet, handbills etc. The words 'package drinking water' should not be there in any of the promotional and exhibit materials, which otherwise might attract legal attention from the authorities concerned.

Interview and survey done at:

ACE Biotech, Perambakkam, Chennai.

Golden aqua product, Padappai, Chennai

Eagle water, Chennai

Field study conducted by:

Mr. Navil H Motha, President, IHWF

Mr. Santhana Rajan, Consultant, IHWF

Mr. Rajesh, Journalist, IHWF

Interviewees:

1. Vinayagam, Delivery Supervisor, Ace Biotech
2. Muragan, Plant Operator, Ace Biotech
3. Raj shopping center, owner, Besant Nagar
4. Sippy Medical Store, Adyar
5. Pandian Super Market, Virugambakkam
6. Shanthi Store M.G.R. Nagar, kk Nagar
7. Proprietor, Golden Aqua, Chenn
8. Moorthy, Plant Operator, Eagle water, Chennai.

We are conducting few more studies that affect bottled water industry in the near future.

1. What is the most important factor that makes consumer buy bottled water in India?. 1) Brand value, 2) cost, 3) Govt. Agency certification, 4) easy accessibility
2. How good the manufacturers are aware about the hygiene processes & equipment efficiency. Do they have qualified, trained staff with adequate knowledge?
3. How serious manufacturers about legal implications of his business? Are they know about various regulations that are in force or that may be enforced from time to time?
4. By 2012, what will be the fate of bottled water industry in Tamilnadu, Andhrapradesh & Karnataka? Experts say that bottled water industry will collapse by that time. An analysis report.

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